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DOCKET CONTROL

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-2661
Jeffrey.Johnson@aps.com

May 30, 2013

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company's Residential Critical Peak Pricing Program
Docket No. E-01345A-11-0250

Pursuant to Decision No. 73139, dated May 1, 2012:

Arizona Public Service Company shall file a report evaluating the costs and benefits of each Critical Peak Pricing Program each May, beginning 2013 (for the previous summer season).

Attached please find the 2012 evaluation report for the Critical Peak Pricing Program.

If you have any questions regarding this information, please contact Charles Miessner at (602)250-1545.

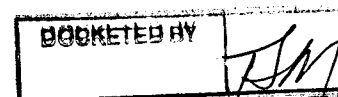
Sincerely,

Jeffrey W. Johnson

JJ/cd
Attachment

Arizona Corporation Commission
DOCKETED

MAY 30 2013



**Arizona Public Service Company
Critical Peak Pricing Program
Evaluation Report
May 2013**

**In Compliance with Decision No. 73139,
Docket No. E-01345A-11-0250**

**Arizona Public Service Company
Critical Peak Pricing Program
Evaluation Report
May 2013**

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BACKGROUND

In January 2010, Arizona Public Service Company ("APS") implemented two experimental demand response pricing rates: residential critical peak pricing rate schedule CPP-RES and general service critical peak pricing rate schedule CPP-GS. These rates were approved in Decision No. 71448 for a period of two years as part of a pilot program. On May 1, 2012 the Arizona Corporation Commission in Decision No. 73139 approved APS's request to continue both rates until the next general rate case.

APS has conducted a two-year study of the program over the 2010 and 2011 summer months. This report is a continuation of that study and will provide an evaluation of the benefits and costs for the 2012 summer months.

PROGRAM DESCRIPTION

Critical Peak Pricing (also known as Peak Event Pricing) is a rate rider that is in addition to the customer's standard rate plan. This provides a high price signal over a small number of core summer peak days and hours. The program can be called on when the Company is experiencing extreme temperatures, very high electrical demand, high market electric costs, or is experiencing a major generation or transmission disturbance. The critical peak price signal is "dynamic" in that it is callable by APS for up to 18 days (minimum 6 days) or 90 hours per year, weekdays during the months June through September. APS declares a "critical event" day and notifies participants by 4:00 p.m. the prior day. During the event the customer is charged the higher price for consumption during the hours 2 p.m. to 7pm. The customer also receives a discount for all consumption during the June through September billing cycles. For CPP-GS, a customer must demonstrate the capability of reducing load by 200 kW prior to going on the rate schedule. The prices are designed so that the monthly discounts equal the critical peak charges for the typical customer. Therefore, to save money, the customer must be able to reduce usage during critical hours.

RESULTS

Customer Response

For the June through September 2012 summer period, APS called a total 16 critical events. The program participation included 879 residential and 1 business customers. Since the single business customer signed up late and did not participate in all critical events they were not included in the estimated load response assessment below.

CPP-RES

Total Response (kW)	660
Response per Customer (kW)	0.75
Response (%)	20%

Benefits and Costs

Benefits to the participant:

- Customers who participated in the program in 2012 reduced on average 0.75 kW, or 20% of their load during critical hours.
- The average monthly bill savings was 5%, where 4.3% was from the critical peak pricing discount and 0.7% from lower bill savings under the customer's retail rate.

Benefits and costs to APS:

Benefits

- Though only 16 events were called during the summer months, the program provided APS with the generation call option of up to 18 events.
- The program reduced on average 660 kW or 52,700 kWh. Based on this estimate, the generation cost avoided was \$12k for 2012.

Costs

- The program budget for 2012 was \$40k for Measurement, Evaluation and Reporting (MER), and Marketing. Since the MER was performed within APS, and the majority of participants carried over from the prior year, the budget expenditures were insignificant.
- Critical Peak Pricing was designed to be revenue neutral for the average customer who goes on the program and does not reduce load. For this case, the higher price charge assessed for all critical hours is equivalent to the energy discount applied to the total usage for June through September. If the customer happens to reduce load, then they receive an incentive payment based on APS's avoided costs less a reserved amount of \$0.0185 per kWh which is set aside for program costs.